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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE- Chairman
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BRENDA BURNS

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AZ CORP COMMISSION
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Arizona Corporation Commission

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IN THE MATTER OF THE APPLICATION OF
ARIZONA PUBLIC SERVICE COMPANY
FOR A HEARING TO DETERMINE THE
FAIR VALUE OF THE UTILITY PROPERTY
OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN
THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO DEVELOP
SUCH RETURN.

DOCKET NO. E-01345A-11-0224

**STAFF'S NOTICE OF FILING
TESTIMONY SUMMARIES**

Staff of the Arizona Corporation Commission ("Staff") hereby files the Summaries of the
Testimony of Steven M. Olea and Howard S. Solganick in Support of the Settlement Agreement.

RESPECTFULLY SUBMITTED this 25th day of January 2012.

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Original and thirteen (13) copies
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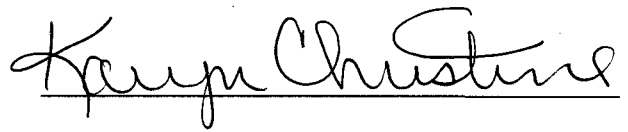
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**TESTIMONY SUMMARY OF STEVEN M. OLEA
IN SUPPORT OF THE SETTLEMENT AGREEMENT**

**Arizona Public Service Company Rate Case
Docket No. E-01345A-11-0224**

Mr. Olea's testimony supports the adoption of the Settlement Agreement ("Agreement") as proposed by the Signatories in this case. This testimony describes the settlement process as open, candid, transparent and inclusive of all parties to this case. Mr. Olea explains why Staff believes this Agreement is in the public interest.

Mr. Olea's testimony recommends that the Commission adopt the Agreement as proposed.

**TESTIMONY SUMMARY OF HOWARD S. SOLGANICK
IN SUPPORT OF THE SETTLEMENT AGREEMENT**

**Arizona Public Service Company Rate Case
Docket No. E-01345A-11-0224**

Mr. Solganick's testimony reviews the details and implementation of the Lost Fixed Cost Recovery ("LFCR") mechanism proposed in the Settlement Agreement ("Agreement") and defined by the proposed Plan of Administration.

He provides details of the LFCR mechanism; the sources of the required data; how the initial year is recognized; that the sales reductions are documented by an existing process; how the annual calculations are made; the customer protections included; and the opportunity for review and compliance reporting.

Mr. Solganick also compares the LFCR mechanism to revenue decoupling, highlighting that weather, business and other risks are not transferred to customers.

Mr. Solganick's testimony recommends that the Lost Fixed Cost Recovery mechanism be adopted as proposed.